

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name	County
Fiscal Year End	Opinion Date	Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☐ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☐ The local unit has adopted a budget for all required funds.
5. ☐ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☐ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☐ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☐ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☐ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☐ The audit opinion is UNQUALIFIED.
13. ☐ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☐ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name)		Telephone Number		
Street Address		City	State	Zip
Authorizing CPA Signature	Printed Name		License Number	

COHOCTAH TOWNSHIP

ANNUAL FINANCIAL
REPORT

FOR THE YEAR ENDED MARCH 31, 2006

COHOCTAH TOWNSHIP

TOWNSHIP OFFICIALS

Supervisor - Mark Fosdick
Treasurer - Tami Bock
Clerk - Karen Thurner

TOWNSHIP BOARD OF TRUSTEES

Tami Bock
Mark Fosdick
Ronald Smith
Karen Thurner
William Thurner

TOWNSHIP ATTORNEYS

Miller, Kehoe & Associates

TOWNSHIP AUDITORS

Pfeffer, Hanniford & Palka
Certified Public Accountants

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PFEFFER ■ HANNIFORD ■ PALKA
Certified Public Accountants

John M. Pfeffer, C.P.A.
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August 30, 2006

Board of Trustees
Cohoctah Township
P.O. Box 278
Cohoctah, Michigan 48816

INDEPENDENT AUDITORS' REPORT

Honorable Board of Trustees:

We have audited the accompanying financial statements of the governmental activities and the aggregate remaining fund information of Cohoctah Township, as of and for the year ended March 31, 2006, which collectively comprise of Cohoctah Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Cohoctah Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Cohoctah Township, as of March 31, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and other required supplementary information on pages 7 through 11 and 34 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Cohoctah Township's basic financial statements. The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information, such as the combining statements, have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The supplementary information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we express no opinion on them.

Pfeffer, Hanniford & Palka, P.C.

PFEFFER, HANNIFORD & PALKA
Certified Public Accountants

MANAGEMENT DISCUSSION
AND
ANALYSIS

Management Discussion and Analysis March 31, 2006

Within this section of Cohoctah Township's annual financial report, the Township's management is providing a narrative discussion and analysis of the financial activities of the Township for the fiscal year ended March 31, 2006. This narrative discusses and analyzes the activity within the context of the accompanying financial statements and disclosures following this section. The discussion focuses on the Township's primary government and, unless otherwise noted, component units reported separately from the primary government are not included.

Overview of the Financial Statements

Management's Discussion and Analysis introduces the Township's basic financial statements. The basic financial statements include government-wide financial statements, fund financial statements, and notes to the financial statements. The Township also includes in this report additional information to supplement the basic financial statements.

Government-wide Financial Statements

The Township's annual reports include two government-wide financial statements. These statements provide both long-term and short-term information about the Township's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The first of these government-wide statements is the Statement of Net Assets. This is the Township-wide statement of position presenting information that includes all the Township's assets and liabilities, with the difference reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township as a whole is improving or deteriorating. Evaluation of the overall health of the Township may extend to various nonfinancial factors as well.

The second government-wide statement is the Statement of Activities which reports how the Township's net assets changed during the current fiscal year. The design of this statement is to show the financial reliance of the Township's distinct activities or functions on the revenues generated by the Township.

Governmental activities include such activities as general government, public safety, and planning and zoning departments. Fiduciary activities such as tax collection are not included in the government-wide statements since these assets are not available to fund Township programs.

The Township's financial reporting includes all the funds of the Township (primary government) and, additionally, organizations for which the Township is accountable (component units).

Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The Township uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the Township's most significant funds rather than the Township as a whole. Major funds are separately reported while all others are combined into a single, aggregated presentation. Individual fund data for non-major funds is provided in the combining statements later in this report.

The Township has two kinds of funds:

Governmental funds are reported in the financial statements and encompass essentially the same functions as governmental activities in the government-wide financial statements except with a different focus on the financial activity. These statements report short-term fiscal accountability focusing on the use of spendable resources and balances of these resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near-term. Since the focus of the government-wide financial statements includes a long-term view, a reconciliation of these fund balances has been completed to detail its relation to net assets.

Fiduciary funds are reported in the fiduciary fund financial statements, but are excluded from the government-wide statements. Fiduciary fund financial statements report resources that are not available to fund Township activities.

Notes to the financial statements

The accompanying notes to the financial statements provide information essential to a full understanding of both the government-wide and fund financial statements.

Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. Other supplementary information includes detail by fund for receivables, payables, transfers, and payments within the reporting entity.

Major funds are reported in the basic financial statements as discussed. Combining and individual statements and schedules for non-major funds are presented in a subsequent section of this report.

Financial Analysis of the Township as a Whole

The Township has implemented the new financial reporting model used in this report beginning with the current fiscal year ended March 31, 2006. Over time, as year-to-year financial information is accumulated on a consistent basis, changes in net assets may be observed and used to discuss the changing financial position of the Township as a whole.

The Township's net assets at the end of the fiscal year were \$ 1,303,837. This is an \$ 226,007 increase over last year's net assets of \$ 1,077,830.

The following tables provide a summary of the Township's financial activities and changes in net assets:

Summary of Net Assets

	<u>Governmental Activities</u>	
	<u>03/31/2006</u>	<u>03/31/2005</u>
Current and other assets	\$ 803,276	\$ 730,616
Capital assets	708,948	394,564
Total assets	<u>1,512,224</u>	<u>1,125,180</u>
Accounts payable	17,478	13,331
Notes/land contract payables	190,909	34,019
Total liabilities	<u>208,387</u>	<u>47,350</u>
Net assets:		
Invested in capital assets, net of related debt	518,039	360,545
Unrestricted	785,798	717,285
Total net assets	<u>\$ 1,303,837</u>	<u>\$ 1,077,830</u>

Summary of Changes in Net Assets

	Governmental Activities	
	03/31/2006	03/31/2005
Revenues:		
Program revenues		
Charges for services	\$ 189,010	\$ 170,331
Operating grant	7,153	1,642
General revenues		
State shared revenues	233,363	228,102
Property taxes	257,265	246,052
Interest income	4,206	1,759
Rental income	12,000	12,050
Fire Authority dissolution	66,156	
Other income	6,645	2,975
Total revenues	775,798	662,911
Expenses		
General government	184,250	159,409
Fire protection	2,723	2,723
Community development	19,477	5,699
Refuse	124,043	120,854
Cemetery	15,403	15,820
Public works	201,612	169,221
Interest on long-term debt	2,283	2,493
Total expenses	549,791	476,219
Changes in net assets	226,007	186,692
Beginning net assets	1,077,830	891,138
Ending net assets	<u>\$ 1,303,837</u>	<u>\$ 1,077,830</u>

The Township was able to add \$68,513 to its fund balance as opposed to \$186,915 from the prior fiscal year. This increase can be primarily attributed to the increase of taxes collected for roads. The increase is also due to the Board's fiscally conservative budgeting process, while purchasing \$317,507 of land for new Township Hall.

Financial Analysis of the Township's Funds

Cohoctah Township has only one fund which reports all activity conducted by the Township, the General Fund.

General Fund Budgetary Highlights

The Township approved a budget prior to the start of the fiscal year, and made one material amendment during the year to purchase nearby 42 acres of land across from the Township Hall. The board made immaterial amendments during the year to bring it closer to economic reality. However, expenditures exceeded appropriations in the refuse collection and election activities.

Capital Asset and Debt Administration

The Township paid \$3,110 of principal to repay a land contract held for the purpose of acquiring land for the Township's fire hall. This loan calls for monthly payments of \$449.41 and matures in July 2013.

The Township purchased \$317,507 of land for the future site of the Township Hall. An installment purchase agreement of \$160,000 was issued to finance a portion of this land.

Economic Conditions and Future Activities

Anticipated future decreases in state revenue sharing could have a substantial effect on operations for subsequent periods. The Township purchased land for a future Township Hall Fire Station, and Park. The Township paid \$150,000 down and financed the remainder to be fully paid in five years.

Contacting the Township's Financial Management

This report is designed to provide a general overview of the Township's financial position and comply with finance-related regulations. If you have any further questions about this report or request additional information please contact Cohoctah Township at P.O. Box 278, Cohoctah, Michigan, 48816.

BASIC
FINANCIAL
STATEMENTS

GOVERNMENT-WIDE
FINANCIAL
STATEMENTS

COHOCTAH TOWNSHIP
STATEMENT OF NET ASSETS
MARCH 31, 2006

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 675,727
Receivables	
Taxes	34,642
State shared revenues	38,595
Accounts	3,091
Intergovernmental	1,115
Fowlerville Area Fire Authority	50,106
Capital assets - net of depreciation	<u>708,948</u>
Total assets	<u>1,512,224</u>
LIABILITIES	
Accounts payable	17,478
Note payable	
Current portion	29,264
Non-current portion	130,736
Land contract payable	
Current portion	3,335
Non-current portion	<u>27,574</u>
Total liabilities	<u>208,387</u>
NET ASSETS	
Investment in capital assets, net of related debt	518,039
Unrestricted	<u>785,798</u>
Total net assets	<u><u>\$ 1,303,837</u></u>

The accompanying notes are an integral part of these financial statements.

COHOCTAH TOWNSHIP
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2006

Functions/Programs	Program Revenues			Total
	Expenses	Charges for Services	Operating Grants and Contributions	
GOVERNMENTAL ACTIVITIES				
General government	\$ (184,250)	\$ 63,898	\$	\$ (120,352)
Fire protection	(2,723)	190		(2,533)
Community development	(19,477)		5,622	(13,855)
Refuse	(124,043)	111,950	1,531	(10,562)
Cemetery	(15,403)	12,972		(2,431)
Public works	(201,612)			(201,612)
Interest on long-term debt	(2,283)			(2,283)
Total governmental activities	<u>\$ (549,791)</u>	<u>\$ 189,010</u>	<u>\$ 7,153</u>	<u>(353,628)</u>
General Revenues:				
Property taxes				257,265
State shared revenues				233,363
Unrestricted investment earnings				4,206
Rental income				12,000
Fire Authority equity				66,156
Other income				<u>6,645</u>
Total general revenues				<u>579,635</u>
Change in net assets				226,007
Net assets, April 1, 2005				<u>1,077,830</u>
Net assets, March 31, 2006				<u>\$ 1,303,837</u>

The accompanying notes are an integral part of these financial statements.

FUND
FINANCIAL
STATEMENTS

COHOCTAH TOWNSHIP
BALANCE SHEET
GOVERNMENTAL FUND
MARCH 31, 2006

	<u>General</u>
 <u>ASSETS</u>	
ASSETS	
Cash and investments	\$ 675,727
Accounts receivable	3,091
Taxes receivable	34,642
State shared revenue receivable	38,595
Due from Fowlerville Fire	50,106
Due from other funds	<u>1,115</u>
Total assets	<u>\$ 803,276</u>
 <u>LIABILITIES AND FUND BALANCE</u>	
LIABILITIES	
Accounts payable	\$ 16,383
Due to others	<u>1,095</u>
Total liabilities	17,478
FUND BALANCE - UNRESERVED	<u>785,798</u>
Total liabilities and fund balance	<u>\$ 803,276</u>

The accompanying notes are an integral part of these financial statements.

COHOCTAH TOWNSHIP
RECONCILIATION OF STATEMENT OF NET ASSETS
OF GOVERNMENTAL FUND TO THE BALANCE SHEET
MARCH 31, 2006

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Total fund balance per balance sheet		\$ 785,798
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:		
Historical cost	\$ 739,643	
Depreciation	<u>(30,695)</u>	
Capital assets, net of depreciation		708,948
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. These include:		
Note payable	(160,000)	
Land contract payable	<u>(30,909)</u>	
		<u>(190,909)</u>
Net assets of governmental activities		<u>\$ 1,303,837</u>

The accompanying notes are an integral part of these financial statements.

COHOCTAH TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
FOR THE YEAR ENDED MARCH 31, 2006

	General Fund
REVENUES	
Taxes - operating	\$ 96,887
Taxes - road	160,378
Licenses and permits	19,443
State shared revenues	233,363
Charges for services	164,812
Interest	4,206
Miscellaneous	<u>96,709</u>
Total revenues	<u>775,798</u>
EXPENDITURES	
Township board	29,572
Supervisor	15,000
Election	8,564
Attorney	10,119
Assessor	30,483
Clerk	21,504
Board of review	1,233
Treasurer	23,378
Cemetery	15,403
Buildings and grounds	324,060
Public safety - fire debt service	5,393
Roads	188,064
Planning and zoning	21,709
Drains at large	9,407
Streetlights	4,141
Trash pick up	124,043
Recreation	18,908
Library	569
Insurance and bonds	14,048
Unallocated	1,204
Contingencies	<u>483</u>
Total expenditures	<u>867,285</u>
Excess of revenues over (under) expenditures	(91,487)
OTHER FINANCING SOURCES	
Loan proceeds	<u>160,000</u>
Net change in fund balance	68,513
FUND BALANCE, APRIL 1, 2005	<u>717,285</u>
FUND BALANCE, MARCH 31, 2006	<u>\$ 785,798</u>

The accompanying notes are an integral part of these financial statements.

PFEFFER, HANNIFORD & PALKA

Certified Public Accountants

COHOCTAH TOWNSHIP
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2006

Amounts reported for governmental activities in the Statement
of Activities are different because:

Net change in fund balance - governmental funds	\$ 68,513
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Governmental funds report capital outlay as expenditures.
However, in the Statement of Activities the cost of those
assets is allocated over their useful lives as depreciation
expense.

Depreciation expense	(3,123)	
Capital outlay purchased	<u>317,507</u>	314,384

Repayment of land contract payable is an expenditure in the
governmental funds, but the repayment reduces long-term
liabilities in the Statement of Net Assets

Repayment of:		
Land contract payable		3,110

Loan proceeds are other financing sources in the governmental
funds, but are recorded as long-term liabilities in the Statement
of Net Assets

(160,000)

Change in net assets of governmental activities	<u><u>\$ 226,007</u></u>
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The accompanying notes are an integral part of these financial statements.

COHOCTAH TOWNSHIP
STATEMENT OF ASSETS AND LIABILITIES
FIDUCIARY FUNDS
MARCH 31, 2006

	Current Tax Collection Fund	Trust and Agency Fund	Total
<u>ASSETS</u>			
Cash	\$ 887	\$ 6,228	\$ 7,115
<u>LIABILITIES</u>			
Liabilities			
Due to others	\$	\$ 6,000	\$ 6,000
Due to other funds	887	228	1,115
Total liabilities	\$ 887	\$ 6,228	\$ 7,115

NOTES
TO
FINANCIAL
STATEMENTS

COHOCTAH TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Cohoctah Township conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of the more significant policies:

A. BASIC FINANCIAL STATEMENTS

In accordance with GASB Statement No. 34 - *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, the basic financial statements include both government-wide and fund financial statements.

The government-wide financial statements (Statement of Net Assets and Statement of Activities) report on the Township as a whole, excluding fiduciary activities. Governmental fund types are reported in the government-wide financial statements using the economic resources measurement focus and the accrual basis of accounting, which includes long-term assets and receivables as well as long-term debt and obligations. The government-wide financial statements focus more on the sustainability of the Township as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. Generally, the effect of interfund activity has been removed from the government-wide financial statements.

The government-wide Statement of Net Assets reports all financial and capital resources of the Township (excluding fiduciary funds). It is displayed in a format of assets less liabilities equals net assets, with the assets and liabilities shown in order of their relative liquidity. Net assets are required to be displayed in three components: 1) invested in capital assets, net of related debt, 2) restricted, and 3) unrestricted. Invested in capital assets, net of related debt is capital assets net of accumulated depreciation and reduced by outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Restricted net assets are those with constraints placed on their use by either: 1) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or 2) imposed by law through constitutional provisions or enabling legislation. All net assets not otherwise classified as restricted, are shown as unrestricted. Generally, the Township would first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

The government-wide Statement of Activities demonstrates the degree to which both direct and indirect expenses of the various functions and programs of the Township are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or identifiable activity. Indirect expenses for administrative overhead are allocated among the functions and activities using a full cost allocation approach and are presented separately to enhance comparability of direct expense between governments that allocate direct expenses and those that do not. Interest on general long-term debt is not allocated to the various functions. Program revenues include: 1) charges to customers or users who purchase, use or directly benefit from goods, services or privileges provided by a particular function or program and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or program. Taxes, unrestricted investment income and other revenues not identifiable with particular functions or programs are included as general revenues. The general revenues support the net costs of the functions and programs not covered by program revenues.

COHOCTAH TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Also, part of the basic financial statements are fund financial statements for the governmental funds. The focus of the fund financial statements is on major funds, as defined by GASB Statement No. 34. Although this reporting model sets forth minimum criteria for determination of major funds (a percentage of assets, liabilities, revenues, or expenditures of fund category and of the governmental funds combined), it also gives governments the option of displaying other funds as major funds. Other non-major funds are combined in a single column on the fund financial statements.

The Township reports the following major governmental fund:

The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

B. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The governmental fund financial statements are prepared on a modified accrual basis of accounting. To conform to the modified accrual basis of accounting, certain modifications must be made to the accrual method. These modifications are outlined below:

- A. Revenue is recorded when it becomes both measurable and available (received within 60 days after year-end). Revenue considered susceptible to accrual includes: property taxes, sales and use taxes, licenses, fees and permits, intergovernmental revenues, charges for services and interest.
- B. Expenditures are recorded when the related fund liability is incurred. Principal and interest on long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year.
- C. Disbursements for the purchase of capital assets providing future benefits are considered expenditures. Bond proceeds are reported as another financing source.

With this measurement focus, operating statements present increases and decreases in net current assets and unreserved fund balances as a measure of available spendable resources.

This is the traditional basis of accounting for governmental funds and also is the manner in which these funds are normally budgeted. This presentation is deemed most appropriate to: 1) demonstrate legal and covenant compliance, 2) demonstrate the sources and uses of liquid resources, and 3) demonstrate how the Township's actual revenues and expenditures conform to the annual budget. Since the governmental funds financial statements are presented on a different basis than the governmental activities column of the government-wide financial statements, a reconciliation is provided immediately following each fund statement. These reconciliations briefly explain the adjustments necessary to transform the fund financial statements into the governmental activities column of the government-wide financial statements.

COHOCTAH TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fiduciary funds account for assets held by the Township in a trustee or agency capacity on behalf of others and, therefore, are not available to support Township programs. The reporting focus is upon net assets and changes in net assets and employs accounting principles similar to proprietary funds. Fiduciary funds are not included in the government-wide financial statements as they are not an asset of the Township available to support Township programs.

C. BUDGETARY DATA

The Township's original budget was adopted prior to April 1, 2005. A budget was adopted for the general fund. Amendments made during the fiscal year are reflected in the budget column.

The Township adopts its budget by functional activity which is the level of classification detail at which expenditures may not legally exceed appropriations.

D. PROPERTY TAX REVENUE RECOGNITION

The Township property tax is levied each December 1 on the taxable value of property located in the township as of the preceding December 31. Assessed values are established annually by the county and are equalized by the state at an estimated 50 percent of current market value. Real and personal property in the township for the 2005 levy was assessed and equalized at \$111,570,685, representing 50 percent of estimated current market value. Taxes are due and payable by February 28. Delinquent real property taxes are returned to the County Treasurer for collection. Information related to the 2005 tax levy is as follows:

	<u>Millage Rate</u>
Township Operations	\$.8702
Roads	<u>1.4404</u>
Total township millage	<u>\$ 2.3106</u>

COHOCTAH TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. CAPITAL ASSETS

Under GASB Statement No. 34, all capital assets whether owned by governmental activities or business-type activities, are recorded and depreciated in the government-wide financial statements. No long-term capital assets or depreciation are shown in the governmental funds financial statements.

Capital assets are defined as assets with an initial, individual cost of more than \$5,000 and an estimated useful life greater than one year. Land is considered a capital asset regardless of initial cost. Capital assets are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Buildings, structures and improvements	10 to 50 years
Machinery and equipment	5 to 40 years

Any capital assets transferred between funds are transferred at their net book value (cost less accumulated depreciation), as of the date of the transfer.

F. MANAGEMENT ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

G. RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Township maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Township. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

COHOCTAH TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. CASH AND CASH EQUIVALENTS

The Township considers its deposits and restricted deposits and investments held with maturities of three months or less are considered to be cash equivalents.

I. INCOME TAXES

As a governmental agency, the Township is exempt from both federal income taxes and Michigan Single Business Tax.

NOTE 2 - FINANCIAL REPORTING ENTITY

In accordance with the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 39, certain other governmental organizations are not considered to be part of the reporting entity for financial statement purposes.

The criteria established by GASB Statement No. 39 for various governmental organizations to be included in the reporting entity's financial statements include accountability, control, and significant financial relationships.

The accompanying financial statements of Cohoctah Township as of March 31, 2006, include any and all boards, agencies, funds and account groups under the jurisdiction of the Cohoctah Township Board.

NOTE 3 - CAPITAL ASSETS

Capital asset activity for the governmental funds for the year ended March 31, 2006 was as follows:

	<u>Balance</u> <u>4/1/05</u>	<u>Additions</u>	<u>Subtractions</u>	<u>Balance</u> <u>3/31/06</u>
Land	\$ 271,001	\$ 317,507	\$	\$ 588,508
Building and improvements	145,135			145,135
Equipment	<u>6,000</u>	<u> </u>	<u> </u>	<u>6,000</u>
Total capital assets	422,136	317,507		739,643
Accumulated depreciation	<u>(27,572)</u>	<u>(3,123)</u>	<u> </u>	<u>(30,695)</u>
Governmental activities capital assets, net	<u>\$ 394,564</u>	<u>\$ 314,384</u>	<u>\$</u>	<u>\$ 708,948</u>

COHOCTAH TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2006

NOTE 3 - CAPITAL ASSETS (continued)

There was \$190,909 of debt outstanding for these capital assets at March 31, 2006. Depreciation expense is being recorded in the government-wide statement of activities based upon the activity utilizing the assets. The Township uses the straight line method to depreciate capital assets over their estimated useful lives.

Depreciation expense was allocated to the following activities:

General government	\$ 400
Fire protection	<u>2,723</u>
Total	<u>\$ 3,123</u>

NOTE 4 - INTERFUND RECEIVABLES AND PAYABLES

Interfund receivables and payables exist at March 31, 2006. These represent short-term borrowings and amounts owed for reimbursements between other funds. The total interfund receivable and payable balance at March 31, 2006 is \$1,115.

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	\$ 228	Trust and agency	\$ 228
General	<u>887</u>	Current tax	<u>887</u>
	<u>\$ 1,115</u>		<u>\$ 1,115</u>

COHOCTAH TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2006

NOTE 5 - DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of Federally insured banks, credit union, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal Agency obligation repurchase agreements; bankers acceptance of United States banks, commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan. The Township's deposits are in accordance with statutory authority.

<u>Deposits</u>	<u>Carrying Amount</u>	<u>Bank Balance</u>
Insured (FDIC)	\$ 114,230	\$ 151,114
Uninsured and uncollateralized	<u>568,612</u>	<u>576,324</u>
Total deposits	<u>\$ 682,842</u>	<u>\$ 727,438</u>
Carrying amounts includes:		
Primary government	\$ 675,727	
Fiduciary funds	<u>7,115</u>	
	<u>\$ 682,842</u>	

COHOCTAH TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2006

NOTE 6 - AGREEMENT TO LEASE COHOCTAH TOWNSHIP FIRE SUB-STATION

Cohoctah Township entered into a lease agreement to lease space to the Howell Area Fire Authority in the Cohoctah Township Fire Sub-station. The Authority is responsible for its operating expenses such as utilities, maintenance and repairs and replacements. Total income from rental operations totaled \$12,000.

NOTE 7 - GOVERNMENTAL FUND - LONG-TERM DEBT

Cohoctah Township signed a land contract due to Frederick L. Buckner for the purchase of land for the fire hall. The monthly payment is \$449.41. Interest is charged at a rate of 7% per annum with the loan maturing July 7, 2013.

Cohoctah Township entered into an installment purchase agreement with Chase Leasing in the amount of \$160,000 for the purchase of property for a Township Hall. Interest is charged at 4.47% per annum and the loan matures December 16, 2010.

A summary of this long-term obligation as of March 31, 2006, and transactions during the year then ended are as follows:

	Balance at <u>4/1/05</u>	<u>Increase</u>	<u>Decrease</u>	Balance at <u>3/31/06</u>
Land contract payable land - Fred Buckner	\$ 34,019	\$	\$ 3,110	\$ 30,909
Installment purchase - Chase Leasing	<u> </u>	<u>160,000</u>	<u> </u>	<u>160,000</u>
Total	<u>\$ 34,019</u>	<u>\$ 160,000</u>	<u>\$ 3,110</u>	<u>\$ 190,909</u>

COHOCTAH TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2006

NOTE 7 - GOVERNMENTAL FUND - LONG-TERM DEBT (continued)

The following is a schedule of principal and interest payments to service the long-term obligations of the township:

	Land Contract Payable - Frederick L. Buckner		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
4/1/2006 - 3/31/2007	\$ 3,335	\$ 2,058	\$ 5,393
4/1/2007 - 3/31/2008	3,576	1,817	5,393
4/1/2008 - 3/31/2009	3,834	1,558	5,392
4/1/2009 - 3/31/2010	4,112	1,281	5,393
4/1/2010 - 3/31/2011	4,409	984	5,393
4/1/2011 - 3/31/2012	4,728	665	5,393
4/1/2012 - 3/31/2013	5,069	323	5,392
4/1/2013 - 3/31/2014	<u>1,846</u>	<u>29</u>	<u>1,875</u>
Totals	<u>\$ 30,909</u>	<u>\$ 8,715</u>	<u>\$ 39,624</u>

	Installment Purchase - Land		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
4/1/2006 - 3/31/2007	\$ 29,264	\$ 7,152	\$ 36,416
4/1/2007 - 3/31/2008	30,572	5,844	36,416
4/1/2008 - 3/31/2009	31,939	4,477	36,416
4/1/2009 - 3/31/2010	33,367	3,049	36,416
4/1/2010 - 3/31/2011	<u>34,858</u>	<u>1,558</u>	<u>36,416</u>
Totals	<u>\$ 160,000</u>	<u>\$ 22,080</u>	<u>\$ 182,080</u>

COHOCTAH TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2006

NOTE 8 - CONTINGENCIES

The Township is involved in various legal actions arising in the normal course of business. In the opinion of management, such matters will not have a material effect upon the financial position of the Township.

NOTE 9 - FIRE AUTHORITY WITHDRAWAL

Effective in 2006, Cohoctah Township has withdrawn its participation in the Fowlerville Area Fire Authority. Fire protection for those residents in that district is now being provided by the Howell Area Fire Authority. For its equity share in the Fowlerville Area Fire Authority the Township shall receive \$62,633 over 5 years. Annual principal payments are required with an interest rate of 5.625% on the balance outstanding until maturity in January 2010. Total amount outstanding at March 31, 2006 was \$50,106.

REQUIRED
SUPPLEMENTARY
INFORMATION

COHOCTAH TOWNSHIP
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED MARCH 31, 2006

	Original Budget	Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
REVENUES				
Taxes - operating	\$	\$	\$ 96,887	\$
Taxes - road			160,378	
Licenses and permits			19,443	
State shared revenues			233,363	
Charges for services			164,812	
Interest			4,206	
Miscellaneous			96,709	
Total revenues	<u>654,100</u>	<u>654,100</u>	<u>775,798</u>	<u>121,698</u>
EXPENDITURES				
Township board	51,050	51,050	29,572	21,478
Supervisor	16,010	16,010	15,000	1,010
Election	2,700	8,100	8,564	(464)
Attorney	12,000	12,000	10,119	1,881
Assessor	30,700	30,700	30,483	217
Clerk	20,850	21,650	21,504	146
Board of review	1,700	1,700	1,233	467
Treasurer	24,200	24,200	23,378	822
Cemetery	18,400	18,400	15,403	2,997
Buildings and grounds	32,300	342,300	324,060	18,240
Public safety - fire debt service	5,500	5,500	5,393	107
Roads	225,000	225,000	188,064	36,936
Planning and zoning	27,100	27,100	21,709	5,391
Drains at large	12,000	12,000	9,407	2,593
Streetlights	5,000	5,000	4,141	859
Trash pick up	120,000	122,000	124,043	(2,043)
Recreation	35,362	35,362	18,908	16,454
Library	570	570	569	1
Insurance and bonds	15,000	15,000	14,048	952
Unallocated	558,158	248,158	1,204	246,954
Contingencies	<u>66,000</u>	<u>57,800</u>	<u>483</u>	<u>57,317</u>
Total expenditures	<u>1,279,600</u>	<u>1,279,600</u>	<u>867,285</u>	<u>412,315</u>
Excess of revenues over (under) expenditures before other financing sources	(625,500)	(625,500)	(91,487)	534,013
OTHER FINANCING SOURCES				
Loan proceeds			<u>160,000</u>	<u>160,000</u>
Net changes in fund balances	(625,500)	(625,500)	68,513	694,013
FUND BALANCE, APRIL 1, 2005	<u>717,285</u>	<u>717,285</u>	<u>717,285</u>	
FUND BALANCE, MARCH 31, 2006	<u>\$ 91,785</u>	<u>\$ 91,785</u>	<u>\$ 785,798</u>	<u>\$ 694,013</u>

SUPPLEMENTARY
INFORMATION

COHOCTAH TOWNSHIP
COMBINING BALANCE SHEET
ALL AGENCY FUNDS
MARCH 31, 2006

	<u>Current Tax Collection Fund</u>	<u>Trust and Agency Fund</u>	<u>Total</u>
<u>ASSETS</u>			
Cash	\$ <u>887</u>	\$ <u>6,228</u>	\$ <u>7,115</u>
 <u>LIABILITIES</u>			
Liabilities			
Due to others	\$	\$ 6,000	\$ 6,000
Due to other funds	<u>887</u>	<u>228</u>	<u>1,115</u>
Total liabilities	<u>\$ 887</u>	<u>\$ 6,228</u>	<u>\$ 7,115</u>

COHOCTAH TOWNSHIP
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED MARCH 31, 2006

	Original Budget	Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
REVENUES				
Taxes - operating	\$	\$	\$ 96,887	\$
Taxes - road			160,378	
Licenses and permits			19,443	
State shared revenues			233,363	
Charges for services			164,812	
Interest			4,206	
Miscellaneous			96,709	
Total revenues	<u>654,100</u>	<u>654,100</u>	<u>775,798</u>	<u>121,698</u>
EXPENDITURES				
Township board	51,050	51,050	29,572	21,478
Supervisor	16,010	16,010	15,000	1,010
Election	2,700	8,100	8,564	(464)
Attorney	12,000	12,000	10,119	1,881
Assessor	30,700	30,700	30,483	217
Clerk	20,850	21,650	21,504	146
Board of review	1,700	1,700	1,233	467
Treasurer	24,200	24,200	23,378	822
Cemetery	18,400	18,400	15,403	2,997
Buildings and grounds	32,300	342,300	324,060	18,240
Public safety - fire debt service	5,500	5,500	5,393	107
Roads	225,000	225,000	188,064	36,936
Planning and zoning	27,100	27,100	21,709	5,391
Drains at large	12,000	12,000	9,407	2,593
Streetlights	5,000	5,000	4,141	859
Trash pick up	120,000	122,000	124,043	(2,043)
Recreation	35,362	35,362	18,908	16,454
Library	570	570	569	1
Insurance and bonds	15,000	15,000	14,048	952
Unallocated	558,158	248,158	1,204	246,954
Contingencies	<u>66,000</u>	<u>57,800</u>	<u>483</u>	<u>57,317</u>
Total expenditures	<u>1,279,600</u>	<u>1,279,600</u>	<u>867,285</u>	<u>412,315</u>
Excess of revenues over (under) expenditures	(625,500)	(625,500)	(91,487)	534,013
OTHER FINANCING SOURCES				
Loan proceeds			160,000	160,000
Net changes in fund balances	(625,500)	(625,500)	68,513	694,013
FUND BALANCE, APRIL 1, 2005	<u>717,285</u>	<u>717,285</u>	<u>717,285</u>	
FUND BALANCE, MARCH 31, 2006	<u>\$ 91,785</u>	<u>\$ 91,785</u>	<u>\$ 785,798</u>	<u>\$ 694,013</u>

COHOCTAH TOWNSHIP
GENERAL FUND
STATEMENT OF REVENUES - BUDGET AND ACTUAL
FOR THE YEAR ENDED MARCH 31, 2006

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
TAXES	<u>\$ 96,000</u>	<u>\$ 96,887</u>	<u>\$ 887</u>
ROAD MILLAGE	<u>146,000</u>	<u>160,378</u>	<u>14,378</u>
LICENSES AND PERMITS	<u>8,000</u>	<u>19,443</u>	<u>11,443</u>
STATE SHARED REVENUES	<u>232,000</u>	<u>233,363</u>	<u>1,363</u>
CHARGES FOR SERVICES			
Right of Way		3,467	
Trash pick up		111,950	
Fire runs		190	
Other charges for service		3,510	
Administration fees		27,594	
Burial service and cemetery plots		12,972	
Tax collection fee		5,129	
Total charges for services	<u>144,000</u>	<u>164,812</u>	<u>20,812</u>
INTEREST	<u>1,500</u>	<u>4,206</u>	<u>2,706</u>
MISCELLANEOUS			
Solid waste grant		1,531	
Sale of small equipment		3,200	
Election and reimbursements		4,755	
Fire Authority dissolution		66,156	
Park donations		5,622	
Rent - Fire Hall		12,000	
Other		3,445	
Total miscellaneous	<u>26,600</u>	<u>96,709</u>	<u>70,109</u>
Total revenues	<u>\$ 654,100</u>	<u>\$ 775,798</u>	<u>\$ 121,698</u>

COHOCTAH TOWNSHIP
GENERAL FUND
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL
FOR THE YEAR ENDED MARCH 31, 2006

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
TOWNSHIP BOARD			
Fees	\$	\$ 3,250	\$
Secretary wages		8,563	
Supplies		1,638	
Contracted services		2,621	
Newsletter		523	
Conferences		1,207	
Publishing		2,875	
Dues		2,086	
Other		2,559	
Audit fees		4,250	
Total township board	<u>51,050</u>	<u>29,572</u>	<u>21,478</u>
SUPERVISOR			
Salary	<u>16,010</u>	<u>15,000</u>	<u>1,010</u>
ELECTION			
Fees		2,360	
Supplies		1,864	
Repairs and maintenance		3,739	
Publishing		601	
Total election	<u>8,100</u>	<u>8,564</u>	<u>(464)</u>
ATTORNEY	<u>12,000</u>	<u>10,119</u>	<u>1,881</u>
ASSESSOR			
Contracted services		26,900	
Supplies		3,583	
Total assessor	<u>30,700</u>	<u>30,483</u>	<u>217</u>
CLERK			
Salary		15,000	
Deputy wages		5,097	
Mileage		36	
Supplies		1,256	
Repairs and maintenance		115	
Total clerk	<u>21,650</u>	<u>21,504</u>	<u>146</u>

COHOCTAH TOWNSHIP
GENERAL FUND
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL (continued)
FOR THE YEAR ENDED MARCH 31, 2006

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
BOARD OF REVIEW			
Fees		960	
Publishing		<u>273</u>	
Total board of review	<u>1,700</u>	<u>1,233</u>	<u>467</u>
TREASURER			
Salary		16,000	
Deputy		1,737	
Mileage		461	
Supplies		2,098	
Contracted services		<u>3,082</u>	
Total treasurer	<u>24,200</u>	<u>23,378</u>	<u>822</u>
CEMETERY			
Clerical wages		244	
Improvements		1,225	
Lawn care		6,350	
Grave opening		5,857	
Repair and maintenance		<u>1,727</u>	
Total cemetery	<u>18,400</u>	<u>15,403</u>	<u>2,997</u>
BUILDINGS AND GROUNDS			
Wages		968	
Supplies		107	
Telephone		2,604	
Utilities		2,541	
Repairs and maintenance		333	
Capital outlay - Township property		<u>317,507</u>	
Total buildings and grounds	<u>342,300</u>	<u>324,060</u>	<u>18,240</u>

COHOCTAH TOWNSHIP
GENERAL FUND
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL (continued)
FOR THE YEAR ENDED MARCH 31, 2006

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
PUBLIC SAFETY - FIRE			
Debt repayment - principal		3,110	
Debt repayment - interest		<u>2,283</u>	
Total public safety - fire	<u>5,500</u>	<u>5,393</u>	<u>107</u>
ROADS			
Road - repairs and maintenance		49,692	
Dust control		<u>138,372</u>	
Total roads	<u>225,000</u>	<u>188,064</u>	<u>36,936</u>
PLANNING AND ZONING			
Wages		8,616	
Fees		3,685	
Mileage		926	
Supplies		967	
Publishing		<u>7,515</u>	
Total planning and zoning	<u>27,100</u>	<u>21,709</u>	<u>5,391</u>
DRAINS AT LARGE	<u>12,000</u>	<u>9,407</u>	<u>2,593</u>
STREETLIGHTS	<u>5,000</u>	<u>4,141</u>	<u>859</u>
TRASH PICK UP	<u>122,000</u>	<u>124,043</u>	<u>(2,043)</u>
RECREATION			
Improvements		11,564	
Maintenance		4,777	
Recreation		<u>2,567</u>	
Total recreation	<u>35,362</u>	<u>18,908</u>	<u>16,454</u>
LIBRARY	<u>570</u>	<u>569</u>	<u>1</u>
INSURANCE AND BONDS	<u>15,000</u>	<u>14,048</u>	<u>952</u>
UNALLOCATED	<u>248,158</u>	<u>1,204</u>	<u>246,954</u>
CONTINGENCIES	<u>57,800</u>	<u>483</u>	<u>57,317</u>
Total expenditures	<u>\$ 1,279,600</u>	<u>\$ 867,285</u>	<u>\$ 412,315</u>

COHOCTAH TOWNSHIP

COMMENTS
AND
RECOMMENDATIONS

FOR THE YEAR ENDED MARCH 31, 2006



PFEFFER ■ HANNIFORD ■ PALKA
Certified Public Accountants

John M. Pfeffer, C.P.A.
Patrick M. Hanniford, C.P.A.
Kenneth J. Palka, C.P.A.

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MACPA

225 E. Grand River - Suite 104
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(810) 229-5550
FAX (810) 229-5578

August 30, 2006

Board of Trustees
Cohoctah Township
P.O. Box 278
Cohoctah, Michigan 48816

Honorable Board of Trustees:

In planning and performing our audit of the financial statements of Cohoctah Township for the year ended March 31, 2006, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control.

During our audit we became aware of matters that are opportunities for strengthening internal controls and operating efficiency. Those matters are as follows:

1. COMMENT

As of March 31, 2006, the following interfund receivables and payables were outstanding:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 1,115	\$
Current Tax Collection Fund		887
Trust and agency		228

RECOMMENDATION

The aforementioned interfund receivables and payables should be paid as soon as feasibly possible.

2. COMMENT

Township is paying sales tax on utility bills.

RECOMMENDATION

Township is tax exempt so the utility companies should be made aware of that and reimburse the Township.

3. COMMENT

There is a separate millage for roads in the Township.

RECOMMENDATION

The Township should open a new bank account and fund to keep this money separate.

4. COMMENT

There is a lack of segregation of duty between the clerk and treasurer's office.

RECOMMENDATION

Realizing that the Township is quite small, other options should be explored as how to accomplish the day to day functions.

This letter does not affect our report dated August 30, 2006 on the financial statements of Cohoctah Township.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and recommendations with various township personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This report is solely for the information and use of the Board of Trustees, and management of Cohoctah Township.

Pfeffer, Hanniford & Palka, P.C.

PFEFFER, HANNIFORD & PALKA
Certified Public Accountants